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## CBO ANALYSIS OF THE PRESIDENT'S 1995 BUDGET

The budget submitted to the Congress by President Clinton carries on the fiscal policy established last August by the Omnibus Budget Reconciliation Act of 1993 (OBRA-93). In its new report, *An Analysis of the President's Budgetary Proposals for Fiscal Year 1995*, the Congressional Budget Office (CBO) estimates that deficits under the policies proposed in the President's budget--except for the health proposal--would differ only slightly from CBO's baseline deficits.

The baseline assumes no modification of current policies, which are essentially unchanged since OBRA-93 was enacted. OBRA-93 implemented a major shift in the federal government's fiscal stance--significantly reducing projected deficits by establishing limits that essentially froze discretionary outlays through 1998, cutting mandatory spending, and increasing revenues. The President's budget proposes discretionary spending that is intended to comply with the OBRA-93 limits (as well as the limit on 1995 spending established by earlier legislation). Also, with the exception of changes included in the President's health proposal, the budget proposes only relatively minor changes in laws affecting revenues and mandatory spending.

Using its own economic forecast and technical estimating assumptions, CBO estimates that deficits under the policies proposed in the President's budget--except for the health proposal--will fall from almost \$230 billion in 1994 to about \$180 billion in 1995 and 1996, before edging up to nearly \$210 billion in 1999. CBO estimates that the Administration's health proposal would increase the deficit in the near term but would have a negligible effect by 2004. The estimate of the health proposal is summarized in this report; a more detailed discussion can be found in CBO's *An Analysis of the Administration's Health Proposal* (February 1994).

Total outlays in the President's budget will grow at a rate of less than 4 percent in 1995. This is the third year in a row that outlays have increased by less than 5 percent, after growing at an average annual rate of more than 6 percent in the previous 10 years. The relatively slow growth of total outlays in 1995 largely reflects continued restraint of discretionary spending--total discretionary outlays will increase by less than 0.5 percent in 1995.

CBO's estimates of the President's budget deficits--excluding the effects of the health proposal--are not very different from the Administration's. CBO's and the Administration's economic forecasts are similar in most respects, but CBO's forecast of generally lower inflation and higher interest rates increases its estimate of the deficit by as much as \$40 billion by 1999 relative to the Administration's estimates. But these economic reestimates are largely offset by reductions in CBO's deficit estimates that result from technical estimating differences between CBO and the Administration. Technical estimating differences are largely responsible for different conclusions about compliance with the discretionary outlay limit for 1995. The Administration estimates that discretionary outlays in the President's budget are a scant \$10 million under the limit in 1995, but CBO estimates that outlays will exceed the limit by about \$3 billion.

Questions about the budget estimates should be directed to CBO's Budget Analysis Division (202-226-2880), and inquiries about the economic forecast to the Macroeconomic Analysis Division (226-2750). The Office of Intergovernmental Relations (226-2600) is CBO's Congressional liaison office. Additional copies of the report may be obtained from the Publications Office at 226-2809.



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